

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: ) CASE NO. 12,049  
)  
APPLICATION OF MANZANO OIL CORPORATION )  
FOR COMPULSORY POOLING AND AN UNORTHODOX )  
WELL LOCATION, LEA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 8th, 1998

Santa Fe, New Mexico

OIL CONSERVATION DIV.  
98 OCT 22 AM 9:19

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 8th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

October 8th, 1998  
 Examiner Hearing  
 CASE NO. 12,049

	PAGE
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>DEBBI JEFFERS</u> (Landman)	
Direct Examination by Mr. Carr	4
Examination by Examiner Stogner	14
<u>CHARLES MICHAEL BROWN</u> (Geologist)	
Direct Examination by Mr. Carr	18
Examination by Examiner Stogner	28
REPORTER'S CERTIFICATE	34

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	8	14
Exhibit 2	10	14
Exhibit 3	10	14
Exhibit 4	12	14
Exhibit 5	12	14
Exhibit 6	13	14
Exhibit 7	13	14
Exhibit 8	19	27
Exhibit 9	20	27
Exhibit 10	22	27
Exhibit 11	23	27

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.  
Suite 1 - 110 N. Guadalupe  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

## ALSO PRESENT:

MARK W. ASHLEY  
NMOCD Petroleum Geologist  
2040 South Pacheco  
Santa Fe, New Mexico 87505

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:16 a.m.:

3 EXAMINER STOGNER: This hearing will come to  
4 order. Please note today's docket number; it's 27-98. And  
5 today's date is October the 8th, 1998. I'm Michael  
6 Stogner, appointed Hearing Examiner for today's docket.

7 At this time I will call Case Number 12,049.

8 MR. CARROLL: Application of Manzano Oil  
9 Corporation for compulsory pooling and an unorthodox well  
10 location, Lea County, New Mexico.

11 EXAMINER STOGNER: Call for appearances.

12 MR. CARR: May it please the Examiner, my name is  
13 William F. Carr with the Santa Fe law firm Campbell, Carr,  
14 Berge and Sheridan. We represent Manzano Oil Corporation  
15 in this matter, and I have two witnesses.

16 EXAMINER STOGNER: Are there any other  
17 appearances in this matter?

18 Will the witnesses please stand to be sworn?

19 (Thereupon, the witnesses were sworn.)

20 DEBBI JEFFERS,  
21 the witness herein, after having been first duly sworn upon  
22 her oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q. Would you state your full name for the record,

1 please?

2 A. Debbi Jeffers.

3 Q. Ms. Jeffers, where do you reside?

4 A. At 607 Tierra Berenda, Roswell, New Mexico.

5 Q. By whom are you employed?

6 A. Manzano Oil Corporation.

7 Q. And what is your position with Manzano?

8 A. Landman.

9 Q. Ms. Jeffers, have you previously testified before  
10 the Oil Conservation Division?

11 A. No.

12 Q. Could you summarize your educational background  
13 for Mr. Stogner?

14 A. Okay, I graduated from high school, had a  
15 semester of college, and have had continuing education  
16 classes in the petroleum landman's field.

17 Q. For whom have you been employed as a petroleum  
18 landman?

19 A. I was previously employed by Hondo Oil and Gas,  
20 beginning in 1986 as a lease analyst, and then in 1992  
21 began with Manzano Oil and have been there since then.

22 Q. Since 1986 you've been employed either as a lease  
23 analyst or a landperson?

24 A. Yes.

25 Q. Are you familiar with the Application filed in

1 this case on behalf of Manzano Oil Corporation?

2 A. Yes.

3 Q. Are you the landperson responsible for the  
4 efforts of Manzano to voluntarily combine the acreage in  
5 the proposed spacing unit?

6 A. Yes.

7 Q. And are you familiar with the status of the lands  
8 in this area?

9 A. Yes.

10 MR. CARR: Mr. Stogner, we tender Ms. Jeffers as  
11 an expert witness in land matters.

12 EXAMINER STOGNER: Ms. Jeffers is so qualified.

13 Q. (By Mr. Carr) Would you briefly summarize what  
14 Manzano seeks in this case?

15 A. We seek to pool from the surface to the base of  
16 the Strawn formation for the spacing and proration unit of  
17 the south half, southeast quarter of Section 2, 16 South,  
18 36 East, including the Undesignated Northeast Lovington-  
19 Pennsylvania Pool and the Undesignated North Lovington-  
20 Wolfcamp Pool.

21 This is to be dedicated to the Odyssey Number 1  
22 well, which is located at a previous drill site which we  
23 called our "SV" Killer Bee Number 1, which was a previously  
24 approved unorthodox surface location of 487 feet from the  
25 south line and 1270 feet from the east line, which we now

1 propose to re-enter and directionally drill to an  
2 unorthodox bottomhole location of 1149 feet from the south  
3 line and 1370 feet from the east line of Section 2.

4 Q. Ms. Jeffers, when the Application was filed in  
5 this case Manzano was actually proposing a straight hole  
6 for the Odyssey; is that not correct?

7 A. Yes.

8 Q. And the location in the Strawn formation has not  
9 changed?

10 A. It has not changed.

11 MR. CARR: And Mr. Stogner, as you will recall,  
12 we discussed the proposal to re-enter the Killer Bee and  
13 directionally drill to the same bottomhole location. This  
14 will require at the end of the hearing that the case be  
15 continued to the first hearing in November. We will file  
16 an amended application and again provide notice in this  
17 matter.

18 Q. (By Mr. Carr) Ms. Jeffers, what are the well-  
19 location requirements for these 80-acre pools?

20 A. The spacing field rules require that you must be  
21 within 150 feet of the center of the quarter-quarter  
22 location.

23 Q. Now, the bottomhole location that you have  
24 testified to being 1149 from the south line and 1370 from  
25 the east line of Section 2, that is the location in the

1 Strawn K; is that correct?

2 A. Yes.

3 Q. And that's the primary objective in the well?

4 A. Yes, it is.

5 MR. CARR: Mr. Examiner, the spacing and well-  
6 location requirements for these pools are -- for the  
7 Northeast Lovington-Penn they were established by Order  
8 3816, and for the North Lovington-Wolfcamp by Order Number  
9 R-10,735.

10 Q. (By Mr. Carr) Ms. Jeffers, have you prepared  
11 exhibits for presentation in this case?

12 A. Yes.

13 Q. Would you refer to what has been marked for  
14 identification as Manzano Exhibit Number 1, identify this  
15 and review it for the Examiner?

16 A. Yes, this is our land map, and it shows the  
17 proration unit, the -- You can see there's a dryhole marker  
18 which says Manzano Killer Bee. That's where we plan to re-  
19 enter. And then the red dot is the bottomhole location,  
20 which will be the Odyssey Number 1.

21 Q. This well will be bottomed at an unorthodox  
22 location encroaching on the north boundary of the dedicated  
23 proration unit; is that right?

24 A. Yes.

25 Q. And who owns the acreage north of this location?



1 A. Manzano and Chesapeake.

2 Q. And have you reviewed this location with  
3 Chesapeake?

4 A. Yes, we have.

5 Q. And do they have an objection to the proposed  
6 bottomhole location?

7 A. No, they don't.

8 Q. What is the status of the acreage in the south  
9 half of the southeast quarter of Section 2?

10 A. It is fee acreage.

11 Q. This acreage was previously pooled by Manzano for  
12 its "SV" Killer Bee Well Number 1; is that correct?

13 A. Yes.

14 Q. And when did that occur? Do you know?

15 A. That was back in February of 1997.

16 Q. And basically today we're seeking an order  
17 repooling the same acreage?

18 A. Yes.

19 Q. The primary objective in the well is the Strawn  
20 formation?

21 A. Yes.

22 Q. And the Wolfcamp is just a secondary --

23 A. That would be secondary.

24 Q. Let's go to Exhibit 2. Will you identify that,  
25 please?

1           A.    Okay, Exhibit 2 is the mineral leasehold takeoff,  
2   and this shows that there are 80 gross acres which we have  
3   leased 96.53 percent of.  It shows the mineral owners'  
4   names, the net acres, and the lease status, whether Manzano  
5   has them leased or if leases are pending or if they're  
6   unleased.  And when we say leases are pending, that means  
7   the lease is in their hand, waiting for their signature.

8           Q.    Those individuals that you've indicated as  
9   unleased pending and will again leased owners are those  
10  that would be subject to a pooling order in this case; is  
11  that correct?

12          A.    Yes.

13          Q.    Let's go to what has been marked as Manzano  
14  Exhibit Number 3.  Could you identify this, please?

15          A.    Okay, this is a plat of the lots and blocks.  
16  There's 768 lots within this 80 acres.  We have all but 35  
17  completely leased.  And the ones that are colored in in  
18  yellow are the ones that are totally leased.  The ones that  
19  are not colored are the ones that are still either pending  
20  or unloaded.

21          Q.    What we have here is an area that is subject to  
22  some sort of a land development plan or a scheme; is that  
23  right?

24          A.    Yes.

25          Q.    You at this time have 96.53 percent of the

1 working interest under lease?

2 A. Yes, we do.

3 Q. Are there owners in this area that you've been  
4 unable to locate?

5 A. Yes.

6 Q. Could you review for the Examiner your efforts to  
7 find these individuals?

8 A. We have used the county records, probate, tax  
9 records, judgments, phone directories, any friends,  
10 relatives, people still living in the Lovington area, and  
11 also the Internet.

12 Q. In your opinion, have you made a good-faith  
13 effort to locate and obtain the voluntary participation of  
14 all interest owners in the subject --

15 A. Yes.

16 Q. -- spacing unit?

17 When did you actually commence your effort to tie  
18 these interests up?

19 A. I think one of our first letters probably went  
20 out March of 1996, and we've been continuously working on  
21 this ever since. And even since the force-pooling of the  
22 Killer Bee, we have found a lot of the unleased interests  
23 since then and have leased them. And just as of yesterday,  
24 I sent out three more leases of people that I found.

25 So it's been an ongoing effort.

1 Q. Could you identify what's been marked Manzano Oil  
2 Corporation Exhibit Number 4?

3 A. Yes, it's the AFE dated August the 10th, 1998.

4 Q. And can you review the totals on this AFE for the  
5 Examiner?

6 A. Okay, the dryhole costs are \$464,100, and the  
7 completion cost \$253,300, for a total cost of \$717,400.

8 Q. Now, Ms. Jeffers, this AFE would be the AFE for  
9 the originally proposed straight hole at the Odyssey  
10 location --

11 A. Yes.

12 Q. -- is that right?

13 A. Yes, it is.

14 Q. Can you identify what has been marked as Manzano  
15 Exhibit Number 5?

16 A. Yes, these are letters that went out. We have  
17 changed our AFE when we decided to re-enter the Killer Bee  
18 wellbore, and go back into it instead of drilling a whole  
19 new well. We sent letters out to the unleased mineral  
20 owners, asking them to participate and also sending them a  
21 copy of the new AFE, which is included, dated October the  
22 1st.

23 Q. And what are the cost savings as reflected on  
24 these AFES by using the existing wellbore, as opposed to  
25 drilling a straight hole?

1 A. There is a difference, a savings of \$180,000.

2 Q. And who will benefit from this reduced cost?

3 A. All working interest owners, all -- anybody that  
4 would participate in the well, whether it be mineral owners  
5 or working interest owners. Everyone would -- It would be  
6 a savings for everyone.

7 Q. Even those who would be force pooled would have a  
8 lower cost against which the risk penalty would apply; is  
9 that also --

10 A. Yes, it would.

11 Q. Is Exhibit Number 6 copies of letters that were  
12 sent to you -- or sent by you to the interest owners  
13 subject to pooling, attempting to reach voluntary  
14 agreement?

15 A. Yes, it is.

16 Q. And is Exhibit Number 7 an affidavit confirming  
17 that notice of today's hearing was provided to all affected  
18 owners in accordance with OCD rules?

19 A. Yes.

20 Q. Have you made an estimate of the overhead and  
21 administrative costs to be incurred while drilling this  
22 well and also while producing it if it is successful?

23 A. Yes, \$5000 for drilling and \$500 a month for  
24 administrative.

25 Q. Are these figures from the *Ernst and Young*

1 survey?

2 A. Yes, they are.

3 Q. And these are the same figures that were approved  
4 by the Division for the "SV" Chipshot Number 1 well?

5 A. Yes.

6 Q. Do you recommend that these figures be  
7 incorporated into the order that results from today's  
8 hearing?

9 A. Yes.

10 Q. Does Manzano Oil Corporation seek to be  
11 designated operator of the subject well?

12 A. Yes.

13 Q. Were Exhibits 12 through 7 either prepared by you  
14 or compiled under your direction and supervision?

15 A. Yes.

16 MR. CARR: Mr. Stogner, at this time we'd move  
17 the admission into evidence of Manzano Oil Corporation  
18 Exhibits 1 through 7.

19 EXAMINER STOGNER: Exhibits 1 through 7 will be  
20 admitted into evidence.

21 MR. CARR: And that concludes my direct  
22 examination of Ms. Jeffers.

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Ms. Jeffers, what was the date of the previously

1 pooled Manzano case for that Killer Bee well?

2 A. It was February 27th, 1997, I believe.

3 Q. Do you have a reference number for that order?

4 A. Yes.

5 MR. CARR: Mr. Stogner, it's Order Number R-  
6 10,775.

7 EXAMINER STOGNER: I'll take administrative  
8 notice of that case and order number.

9 MR. CARR: It was Case 11,725.

10 EXAMINER STOGNER: Case eleven thousand --

11 MR. CARR: -- seven twenty-five.

12 EXAMINER STOGNER: -- seven twenty-five.

13 MR. CARR: Yes, sir.

14 Q. (By Examiner Stogner) The 80 acres to the north,  
15 immediately to the north, you said, was jointly operated or  
16 owned by Manzano and Chesapeake?

17 A. Yes, owned or leased by them, operated.

18 Q. So there is a producing well in that acreage?

19 A. No.

20 Q. Is that also fee acreage that's similarly cut up,  
21 or --

22 A. It's fee acreage, and I don't believe it's the  
23 town lots and blocks.

24 Q. Now, the parties that you're seeking force-  
25 pooling today, have they -- are they all not locatable,

1 or --

2 A. No.

3 Q. -- has there just been some that haven't --

4 A. Some are locatable, and I have been in  
5 conversation with them. We have 21 people we have been  
6 working on, and I have leases out to six of them right now,  
7 that have said that they are going to sign. I do have -- I  
8 was thinking that there are about ten of them that I just  
9 can't locate at all, haven't been able to so far.

10 Q. Were you involved in that 1997 compulsory pooling  
11 case of this same acreage?

12 A. I did a lot of the land work. I think Enick  
13 Diffie was the one that actually came to hearing for it.

14 Q. Now, the Exhibit Number 3 that shows the town  
15 lots --

16 A. Yes.

17 Q. -- does that represent the total 80 acres that is  
18 the south half of the southeast quarter?

19 A. Yes, sir.

20 Q. And who owns the streets, the mineral underneath  
21 the streets?

22 A. The interest owners, the people that own the lots  
23 also own the streets and alleys. It was conveyed with the  
24 original conveyance.

25 Q. Okay. So actually, as far as mineral rights



1 goes, they do touch each other or --

2 A. They do, yes.

3 Q. -- come into connection? Okay.

4 Q. Now, you said that Chesapeake -- Were they  
5 notified or you said they didn't have a problem with the  
6 unorthodox --

7 A. They were notified, and they did sign a letter  
8 stating that they did not have a problem with the --

9 Q. Okay, is that letter in the exhibit here?

10 A. It is not.

11 Q. Could you please provide that?

12 Is that a 50-50 split between Manzano and  
13 Chesapeake in that north half?

14 A. No, it isn't, and I'm not sure exactly of the  
15 split.

16 EXAMINER STOGNER: On that subsequent  
17 information, Mr. Carr, could you -- kind of a little  
18 summary --

19 MR. CARR: I will.

20 EXAMINER STOGNER: -- of what the percentage  
21 difference is?

22 I don't have any questions at this time. I might  
23 after the next witness, Mr. Carr. Is there any other  
24 questions of Ms. Jeffers? You may be excused at this time.  
25 I may call you back later for some additional questions.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CHARLES MICHAEL BROWN,

the witness herein, after having been first duly sworn upon  
his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your name for the record, please?

A. My name is Charles Michael Brown.

Q. Where do you reside?

A. Roswell, New Mexico.

Q. By whom are you employed?

A. Manzano Oil Corporation.

Q. Mr. Brown, have you previously testified before  
this Division and had your credentials as an expert in  
petroleum geology accepted and made a matter of record?

A. Yes, I have.

Q. Are you familiar with the Application filed in  
this case on behalf of Manzano?

A. I am.

Q. Have you made a geological study of the area  
which is the subject of this case?

A. I have.

Q. Are you prepared to share the results of that  
study with the Examiner?

A. Yes, I am.

MR. CARR: Are the witness's qualifications

1 acceptable?

2 EXAMINER STOGNER: They are.

3 Q. (By Mr. Carr) Mr. Brown, has Manzano drilled  
4 other Strawn wells in the immediate area?

5 A. This is the -- will be the eighth well -- well,  
6 it will be the ninth well that we have drilled in this  
7 general area, and that is in Sections 2, 11 and 12. The  
8 eight wells have resulted in five producers, three dry  
9 holes. One of the dry holes that we drilled is on the 80-  
10 acre tract of which we're speaking today, and that's the  
11 Killer Bee Number 1.

12 Q. And that's the wellbore you hope to utilize to  
13 access this new location?

14 A. Yes, sir. That will be our surface location.

15 Q. Let's go to what has been marked for  
16 identification as Manzano Exhibit Number 8. Would you  
17 identify and review that, please?

18 A. This is a plat of the Lovington area showing  
19 wells drilled. I've indicated the Odyssey Number 1 Strawn  
20 bottomhole location in the fluorescent dot. That location  
21 is 1149 feet from the south line, 1370 feet from the east  
22 line.

23 I've also noted the dry hole with a dryhole  
24 symbol, the Killer Bee, "SV" Killer Bee location, which we  
25 are going to utilize, want to utilize as our surface

1 location.

2 In red I've shown the two regular locations  
3 closest to the Odyssey bottomhole location, and I have  
4 drawn -- will present to you two seismic lines that run --  
5 the first one will run west to east through the regular  
6 locations and through the Killer Bee, and then a second  
7 seismic trace that runs from the Killer Bee through the  
8 proposed bottomhole location.

9 Q. Let's go to Manzano Exhibit Number 9, your west-  
10 to-east line, and I'd ask you to review that for the  
11 Examiner.

12 A. This is a line that we used during the Killer Bee  
13 Number 1 unorthodox hearing, and what I was doing with this  
14 exhibit was showing the character of the Strawn in the  
15 regular locations and how it changed when you move over to  
16 the Killer Bee location. The regular location are shown in  
17 blue, the Killer Bee is shown in red.

18 You'll note a very heavy line running kind of  
19 diagonally across the seismic line, and that is a fault, a  
20 major fault, that runs all the way from the Devonian  
21 through the Strawn.

22 I've noted the Strawn amplitude anomaly in  
23 yellow, and in this area where the Strawn is tight and  
24 unproductive you'll have a single peak. Where you begin to  
25 move into the mounding areas you'll develop a second peak,

1 and you'll have a peak-trough-peak character. And that's  
2 what we are trying to find. And I've highlighted the  
3 places where you actually have a peak-trough-peak, or some  
4 facsimile thereof, in yellow, and we call that our anomaly.

5 Not all areas within that anomaly will be  
6 productive. We look for the areas where you have the most  
7 distinct peak-trough-peak character, and that's where we  
8 will generally encounter the thickest and most productive  
9 part of the reservoir.

10 If you look over at the two regular locations,  
11 the location -- the regular location that's on the east  
12 side of the Killer Bee, or to the right on this page, falls  
13 on the wrong side of the fault. We definitely do not want  
14 to cross this fault. We believe the Strawn is just going  
15 to be tight and unproductive there, and you don't see any  
16 kind of distinct character with your seismic trace.

17 The regular location to the west, while it does  
18 have a peak-trough-peak, it's not a very distinct one. And  
19 our experience so far in this play is where you have that  
20 kind of character, you'll have a thickened section,  
21 slightly thickened Strawn section, but it will be tight  
22 with very low perm. And in other cases out here it's  
23 resulted in dry holes for us.

24 The Killer Bee location was intended to be kind  
25 of an offshoot, close up against the fault, in close

1 proximity of the fault, and we thought we'd have some  
2 decent reservoir there. Unfortunately, we had very little  
3 room for error, and we believe this wellbore most likely  
4 walked in a northwest direction.

5 Q. Let's go to Exhibit 10, your line A-A', and I'd  
6 ask you to review that for Mr. Stogner.

7 A. This is a northwest-southeast wiggle-trace  
8 seismic line that runs through the Killer Bee location and  
9 then over to the Odyssey location.

10 Looking at the Killer Bee, what you'll see, you  
11 see your peak-trough-peak. But if you look closely to the  
12 right one trace, you don't see that character. You walk  
13 two traces away to the northwest or to your left, you  
14 simply have just a single peak that barely shows any  
15 character.

16 This tells me two things. One, we were dealing  
17 with a mound that was very inconsistent, and it's very  
18 possible the part of the mound up at the Killer Bee may or  
19 may not be connected with what you see just to the west.

20 Also, on the Killer Bee we had shows, we had a  
21 little thickened section, but we were tight and  
22 unproductive. So we have to improve on that situation in  
23 order to have a productive well.

24 The Odyssey Number 1 location, as you'll see, has  
25 got a very strong peak-trough-peak character. We believe

1     this will be in the heart of the mound and feel pretty  
2     comfortable based on this technique that this bottomhole  
3     location would result in a producing Strawn well.

4           Q.     Let's go now to Manzano Exhibit Number 11.  
5     First, would you explain what this is, and then review the  
6     information on it?

7           A.     This is two seismic lines that have been  
8     processed by a technique called color inversion.  And  
9     basically what we do is, we take the seismic signal, which  
10    is sound, and we try to recreate a presentation that will  
11    mimic a sonic log, which also measures sound.  Sonic logs  
12    are logs we use here to directly measure porosity within  
13    the wellbore, and we try to create through mathematics a  
14    series of sonic logs running throughout our survey.

15                What -- In the absence of a change in lithology,  
16    what we find is, where you have slower-velocity rocks, you  
17    have porosity.  Where you have faster-porosity rocks [sic],  
18    it's tight.  And we've used this technique for five years  
19    with a considerable success wherever we're in an area where  
20    the lithology doesn't change, and that is the case here.

21                What I'm showing on the top --

22           Q.     What is the color code?

23           A.     The color code is just for our -- so that we can  
24    see it.  We've just color-coded the different velocity  
25    ranges.  The slower -- And I've got a bar to the right of

1 each of the lines. The purples, blacks, purples, blues,  
2 are all faster-velocity rocks. And as you move down into  
3 the browns, the reds, you're talking about slower velocity  
4 limestones. And once you get into the yellows and greens,  
5 the rock is so slow we've seen that as shales and sands.

6 Q. So what you're looking for here are the oranges  
7 and the reds and the browns; is that right?

8 A. Right, what I want to see in the Strawn, I want  
9 to see light browns, reds and light browns. Occasionally  
10 you can get a little porosity in the darker browns. But  
11 for the most part, the reds are what you want to see.

12 Q. Just review the two sections for Mr. Stogner.

13 A. The top section is the Chipshot -- is a line  
14 running through the Chipshot Number 1, and that is a well  
15 down in Section 11. It's about a mile from us. This is a  
16 well that was productive in the Strawn, it had a very nice,  
17 well-developed Strawn mound.

18 If you look at the color inversion, what you  
19 see -- And I've got arrows going to it. You see, when you  
20 enter the Strawn, top arrow, you go into browns and you go  
21 into reds, then you go into browns, then you go into fast  
22 rock. We think this is indicative of -- it's a fast-slow-  
23 fast character or a little bit tight, porous, tight, little  
24 bit tight, and very tight. And that matched the log  
25 character, once we drilled the well, very well.



1           So we had good confidence in the color inversion,  
2 looking at the Chipshot 1. We've also used it in other  
3 wells out here with similar results.

4           The bottom line is a line running through the  
5 Odyssey Number 1 and the Killer Bee.

6           And looking at the Killer Bee first, what we have  
7 is, we immediately go into the Strawn, and it stays in the  
8 browns the entire way, until the very bottom, and you even  
9 get some of the blues. And that's -- basically matched  
10 what our logs showed. We had some slight indications that  
11 porosity was trying to develop, but it just really never  
12 did, and it was tight.

13           If you move over to the Odyssey location you'll  
14 see that the character of the seismic inversion is very  
15 similar to what we saw up on the Chipshot 1: We go into  
16 the browns, then the reds, the browns. Fast, slow, fast.  
17 We believe that is indicative of a mound similar in quality  
18 to what we had in the Chipshot 1.

19           Q.   And that's why you're proposing to try and bother  
20 with that particular location?

21           A.   Yes, based on the color inversion, the current  
22 location that we have noted, bottomhole location, is the  
23 area we feel is the best part of the Strawn mound and would  
24 give us the greatest chance of making a producing well.

25           Q.   Mr. Brown, are you prepared to make a

1 recommendation to the Examiner as to the risk penalty that  
2 should be assessed against any interest owner that isn't  
3 voluntarily committed to the well?

4 A. Yes, I am. I would like to propose a 200-percent  
5 penalty.

6 Q. And just briefly summarize your reasons for that  
7 recommendation.

8 A. The Strawn in this area is a high-risk venture.  
9 It's a high-risk, high-return. We are utilizing seismic  
10 3-D, but we are pushing it to its absolute scientific  
11 limits. We're inferring a lot of things that may or may  
12 not be true. We have extreme stratigraphic risk in the  
13 Strawn. It changes very rapidly.

14 We also have a major risk in that even if we find  
15 this mound, we don't know what kind of fluids are in it.  
16 There's no other wells that have penetrated it. There is a  
17 chance that it could be all water.

18 So we have both the geologic/stratigraphic risk  
19 and the reservoir risk.

20 Q. And there is a chance that you could drill a well  
21 at this location that would not be a commercial success?

22 A. Very easily.

23 Q. Does the use of the existing wellbore reduce the  
24 risk associated with making a successful well on this  
25 tract?

1           A.    No, it doesn't, not from a geologic standpoint.  
2   Our bottomhole locations would be the same, whether we  
3   drilled a vertical or the sidekick. So from the geologic  
4   and the stratigraphic, risks still remain.

5                   But what we do is reduce our financial exposure,  
6   which helps not only the working interest owners, it will  
7   help those that are hit with the 200-percent penalty  
8   because we'll have less costs for which we have to recoup,  
9   so we'll have less oil that we have to recover in order to  
10   satisfy that 200-percent penalty.

11           Q.    In your opinion, will granting the Application be  
12   in the best interest of conservation, the prevention of  
13   waste and the protection of correlative rights?

14           A.    Yes, I do.

15           Q.    How soon does Manzano hope to re-enter the well?

16           A.    We would like to begin in December.

17           Q.    Were Exhibits 8 through 11 prepared by you?

18           A.    Yes, they were.

19                   MR. CARR: At this time, Mr. Examiner, we would  
20   move the admission into evidence of Manzano Exhibits 8  
21   through 11.

22                   EXAMINER STOGNER: Exhibits 8 through 11 will be  
23   admitted into evidence.

24                   MR. CARR: And that concludes my direct  
25   examination of Mr. Brown.

## EXAMINATION

BY EXAMINER STOGNER:

Q. What are the formations that are producible or producing in this area?

A. We've produced some Wolfcamp. The Chipshot -- Some of the wells that are in 11, Section 11, have Wolfcamp in them. The Killer Bee did not, it was unproductive in the Wolfcamp. It was tight and low structurally. So I anticipate we'll be even lower structurally on this sidekick. So I don't believe we'll have any potential pays at all, except for the Strawn.

Q. Does that include San Andres and any of the 40-acre --

A. We've already evaluated that with the wellbore, and there was no pays that we saw in the Killer Bee location.

Q. Then your request to force-pool that 40 acres, being the southwest of the southeast quarter, was more of a formality than anything?

A. Yes, sir.

EXAMINER STOGNER: Mr. Carr --

MR. CARR: Yes.

EXAMINER STOGNER: -- I think you see this problem that's cropping up with that 40-acre tract and why what Mr. Brown says -- Perhaps you might want to consider

1 taking that out and readvertising it, for the simple  
2 reason, of course, the surface location is in one quarter-  
3 quarter section --

4 MR. CARR: Yes.

5 EXAMINER STOGNER: -- and then your bottomhole in  
6 the Strawn is in another quarter-quarter section, and the  
7 way that the -- as divided as that interest is up there --

8 MR. CARR: Okay. What we'll do, and I believe --  
9 We discussed this yesterday. I believe we will be able to  
10 dismiss the 40-acre portion of the case.

11 THE WITNESS: But we're -- Our kick will not even  
12 begin until 9000 feet, so that's below any potential 40-  
13 acre --

14 MR. CARR: And Mr. Stogner, we can address that,  
15 so we'll address it with the amended application.

16 EXAMINER STOGNER: Okay, so am I hearing that  
17 it's okay to dismiss that portion of it --

18 MR. CARR: Yes, it is.

19 EXAMINER STOGNER: -- or do you want to withdraw  
20 that request?

21 MR. CARR: Yes, sir, you're hearing that  
22 correctly.

23 EXAMINER STOGNER: Okay. Good, good.

24 So we're essentially force-pooling the Wolfcamp  
25 and it's the Strawn --

1 MR. CARR: Yes, sir.

2 EXAMINER STOGNER: -- okay, under 80-acre  
3 pooling --

4 MR. CARR: Yes, sir.

5 EXAMINER STOGNER: -- rules. Okay.

6 Q. (By Examiner Stogner) What is the present status  
7 of that Killer Bee wellbore?

8 A. It is temporarily abandoned.

9 Q. Okay. How is it completed at this point? What's  
10 the casing in it?

11 A. We just have an intermediate string in it right  
12 now.

13 Q. So production casing was never run?

14 A. Was never run.

15 Q. What is the present depth of that well?

16 A. I don't think I have anything with me. It's  
17 approximately the same as what our Odyssey will be.  
18 11,800.

19 MS. JEFFERS: 11,800.

20 THE WITNESS: In that range.

21 Q. (By Examiner Stogner) Okay, 11,800. So you're  
22 going to come back up, what I understand, to about 9000  
23 feet, and then kick off into a northerly direction?

24 A. Right, we'll walk in a north to northwest  
25 direction.

1 Q. Okay. Now, you're still requesting a 200-percent  
2 risk penalty, but you're essentially putting that on the  
3 geological risk. How about the drilling risk? Is there  
4 any drilling risk attached to re-entering this well?

5 A. Not to re-entering. You always have a little  
6 risk when you kick off, but we haven't had any trouble  
7 doing that. So probably not -- not really any greater than  
8 drilling a vertical well.

9 Q. What would you normally see would be the risk in  
10 drilling a new well, and how much percentage of that should  
11 be tacked onto a risk penalty factor of drilling from  
12 surface to the -- to your bottomhole? How much of that  
13 risk should be attached to that 200 percent, and how much  
14 should it be geological?

15 A. On the mechanical, mechanical risk in this entire  
16 area is pretty minimal. I'm not aware of any wells lost  
17 within, you know, a mile or two based on mechanical. Your  
18 only, you know, risks are more on the expense side with  
19 mud, or you might lose mud in a formation, but we account  
20 for that in our AFE.

21 So really, it boils down to just the geologic and  
22 the reservoir risk, and the rest of it is basically the  
23 same.

24 Q. Well, has there been any wells or rigs  
25 experienced problems, let's say, within a six- to seven-

1 mile radius of this particular wellbore?

2 A. Not that I'm aware of. You get far enough away  
3 to the west, and get down into the deeper sections, Atoka-  
4 Morrow, we've had some problems, but not in the Strawn-  
5 Wolfcamp.

6 Q. So what I'm hearing you're saying is, drilling  
7 wells is really not a risk to this depth, and that  
8 shouldn't be considered in the risk penalty factor?

9 A. The mechanical risk -- When I say "mechanical  
10 risk", is the -- losing the wellbore when you're halfway  
11 through and having to drill another well.

12 Q. Right.

13 A. No, basically, this is not a real difficult area  
14 to drill in. The Abo shale, which is a problem throughout  
15 New Mexico, is really not a problem here. So not a  
16 difficult mechanical risk area.

17 EXAMINER STOGNER: Does anybody else have  
18 anything further in this matter?

19 MR. CARR: No, sir. I'd request that the case be  
20 continued to November the 5th, at which time we will  
21 readvertise and reference the use of the Killer Bee and  
22 also address only the 80-acre spacing in the Wolfcamp and  
23 the Strawn.

24 EXAMINER STOGNER: Okay, this case, 12,049, will  
25 be continued and readvertised for the November 5th hearing.



1 I'd like to draft you into assisting me in  
2 writing an ad in this situation, make sure that we've got  
3 all our bases covered.

4 MR. CARR: I'll submit a new advertisement with  
5 the amended application, and I'll have that here next week  
6 by Tuesday, in time to include it on that docket.

7 EXAMINER STOGNER: With that, is there any other  
8 questions of Mr. Brown or Ms. Jeffers?

9 You may be excused.

10 MR. CARR: Thank you, Mr. Stogner.

11 (Thereupon, these proceedings were concluded at  
12 9:00 a.m.)

13 \* \* \*

14  
15  
16 I do hereby certify that the foregoing is  
17 a complete record of the proceedings in  
18 the Examiner hearing of Case No. 12647,  
heard by me on 8 October 1948.

19  , Examiner  
20 Of Conservation Division

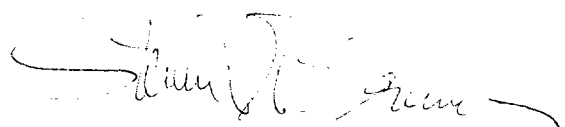
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                                   )   ss.  
 COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL October 9th, 1998.

  
 STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998